CHILEAN WATER REGULATED ACTIVITIES

Cosme SAGNIER GUIMÓN
IAM's CEO

MAKING THE PLANET SUSTAINABLE IS THE BEST JOB ON EARTH

ECONOMIC CONTEXT

CHILE: A DYNAMIC ECONOMY

KEY MACROECONOMIC FIGURES 2013

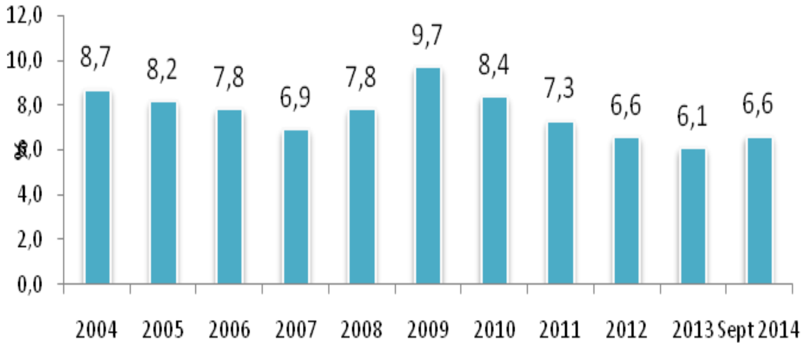
Population	17.6 m
GDP	US$261.9 bn
GDP per capita	US$14,861
Sovereign Rating (current)	S&P: AA- / Moody's: Aa3

Sources: Central Bank of Chile

GDP YOY GROWTH (%)

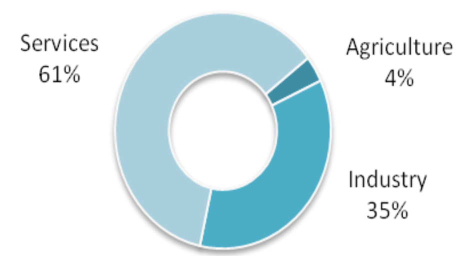
Sources: Central Bank of Chile

UNEMPLOYMENT RATE (%)



Source: INE

GDP 2013 BY SECTOR (%)



Source: Central Bank of Chile

ECONOMIC CONTEXT

CHILE ECONOMIC ENVIRONMENT

INEQUALITY

Gap between richest and poorest
Top 20% population earn 13x bottom 20%

Sources: OECD

EMPLOYMENT (PAID JOBS)

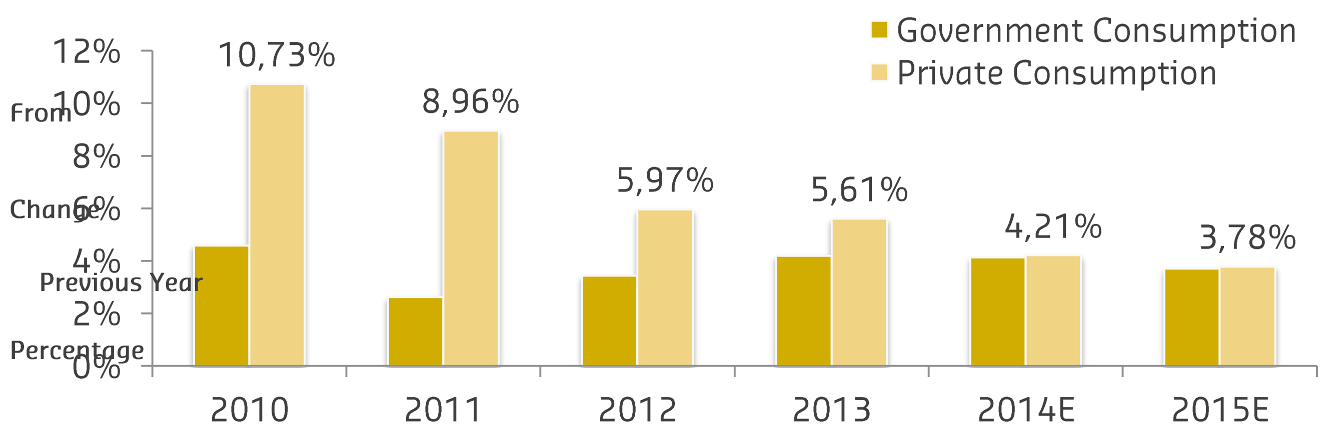
50% 74%

Over 62% of people aged 15 to 64 have a paid job

~ Full employment

Sources: Banco Central de Chile

PROGRESS LAST DECADE



- Improving quality of life.
- High growth & poverty reductions.

Sources: Banco Central de Chile

WATER & SEWERAGE INDUSTRY IN CHILE

AN EXCELLENT EXAMPLE OF A SUCCESSFULL PUBLIC-PRIVATE ALLIANCE

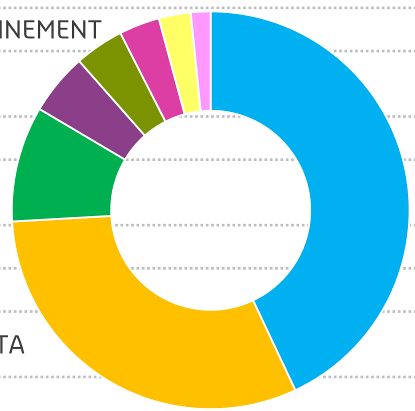
1998 BEGINNING OF THE PRIVATIZATION PROGRESS

96% OF CLIENTS SERVED BY A PRIVATELY-HELD OPERATOR

TWO CONCESSION MODELS:

- Indefinite concession
- Concession for 30 years

AGBAR / SUEZ ENVIRONNEMENT	43,0%
ONTARIO TEACHERS PP	31,1%
MARUBENI	9,4%
INV. AGUAS RIO CLARO	5,0%
SMAPA	4,0%
LUKSIC GROUP	3,3%
HIDROSAN-ICAFAL-VECTA	2,6%
OTHERS	1,6%



Total Privatization 6

Concessions 8

EVOLUTION OF WATER & SEWERAGE INDUSTRY

RISING LEVELS OF INVESTMENT TO INCREASE COVERAGE AND QUALITY

1999

99% drinking water coverage
92% sewerage coverage
23% waste water treatment coverage

→

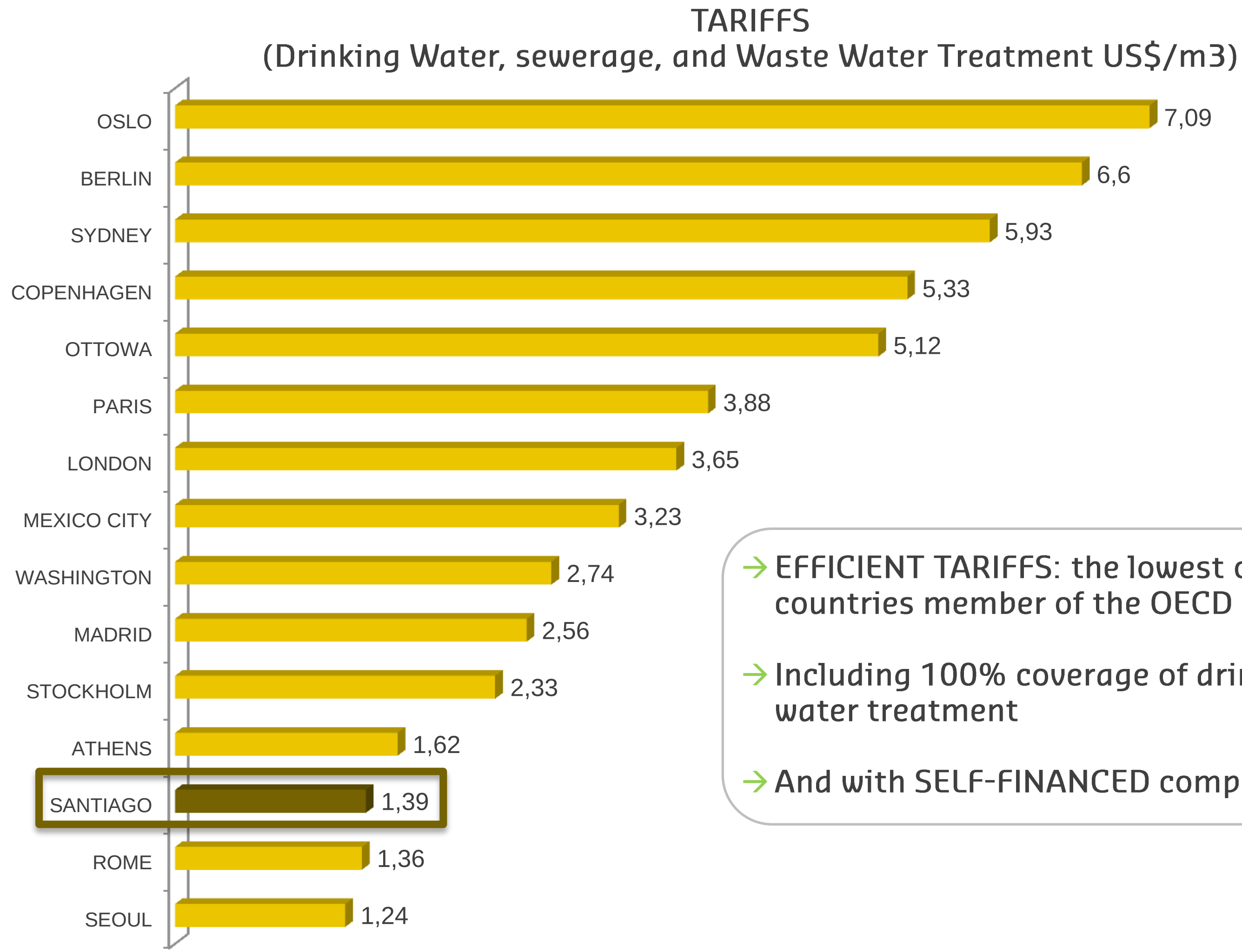
TODAY

100% drinking water coverage
97% sewerage coverage
100% waste water treatment coverage despite having **32%** unaccounted water

$4.2BN investments in drinking water, sewerage and wastewater over 2002-2013

CHILE IN COMPARISON TO THE WORLD

EFFICIENT TARIFFS, ONE OF THE LOWEST IN THE OECD



- → EFFICIENT TARIFFS: the lowest of the capitals of countries member of the OECD
- → Including 100% coverage of drinking water & waste water treatment
- → And with SELF-FINANCED companies

100% COVERAGE WITH SELF-FINANCED COMPANIES

FOCUS: CHILEAN SANITATION MODEL

PROVEN, STABLE AND TRANSPARENT REGULATORY FRAMEWORK

Regulatory framework in place more than 25 years

Public Regulator: Superintendence of Sanitation Services (SISS), counterpart in tariff setting process, supervised by the Ministry of Public Works. Tariffs are formalized by the Ministry of Economy

Tariffs are reset every 5 years:
- → Calculations based on long term total costs of a Model Company
- → Discrepancies solved by independent Experts Committee
- → Minimum real return on assets of 7% after taxes
- → Automatic adjustments linked to polynomials based on CPI and WPI indexes
- → Rates adjustments every time the CPI reaches at least +3%

Government subsidies for low-income clients (16,3% of clients)

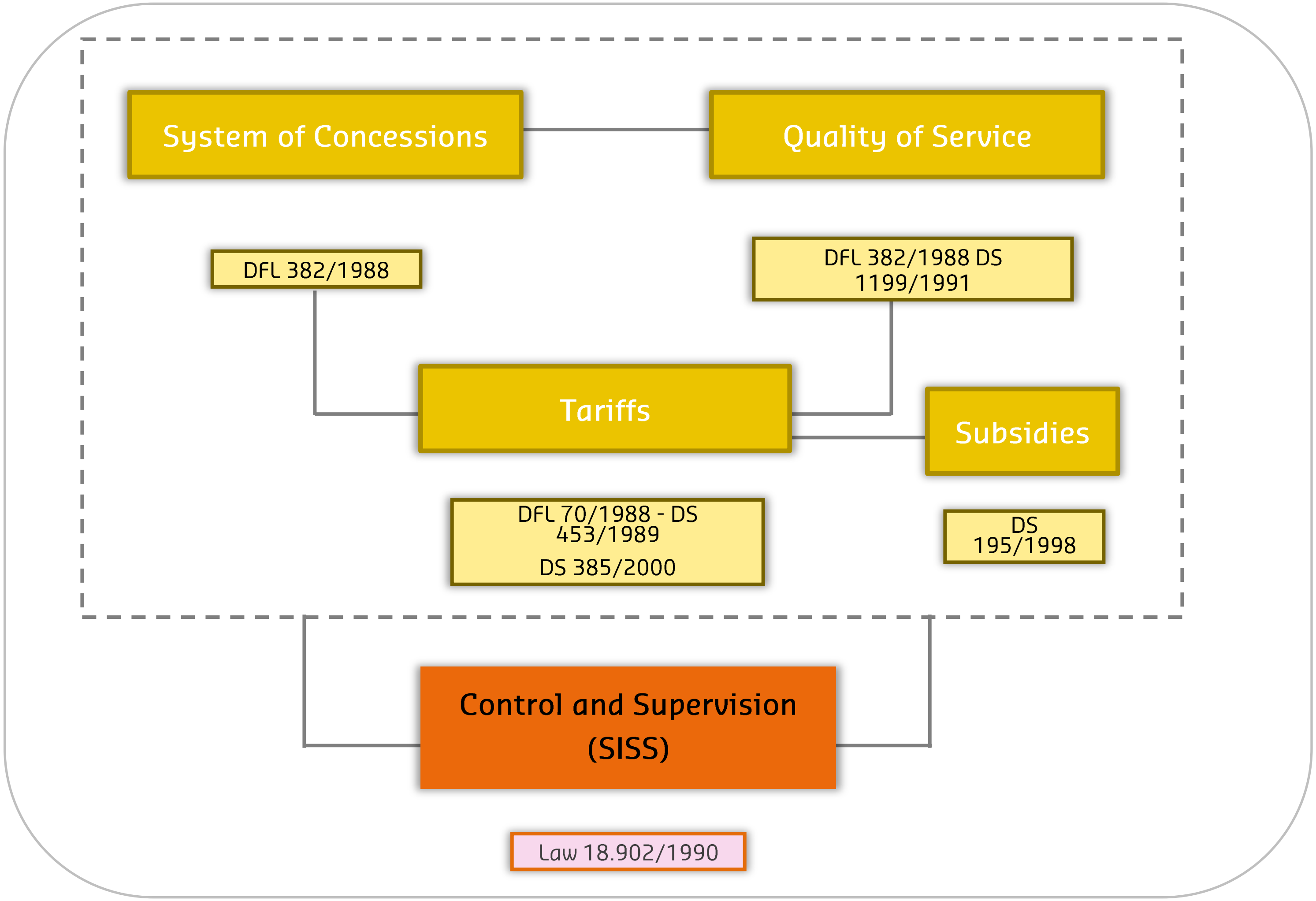
The regulatory framework of the Chilean water industry has been **fundamental** to the development of the sector

MODEL COMPANY	AGUAS ANDINAS
Greenfield operation	Existing infrastructure
Latest technology	Combination of new and legacy technology
Cost efficiency	Real costs
100% coverage in all services	Real coverage
Self-financing of investments through tariffs	Self-financing of investments through tariffs
Minimum return on capital	Ability to use debt to finance Capex and enhance return on equity

MODEL COMPANY vs. REAL COMPANY

REGULATORY FRAMEWORK

CLEAR AND STABLE REGULATION



- DFL: Decree with the Force of Law
- DS: Supreme Decree (development of the law)

PRINCIPLES OF THE TARIFF MODEL

ENSURING THE SELF-FINANCING OF AN EFFICIENT COMPANY

TRANSPARENCY: Regulatory framework is established by law and applies to all companies in the industry. Public negotiation process.

EFFICIENCY: The tariff model aims to simulate a competitive market

EQUALITY: The same tariff is applied to all customers (regardless whether they are industrial or residential, etc.). Direct subsidies provided to low-income customers.

SELF-FINANCING: Revenues cover the costs of the efficient Model Company

.

MODEL COMPANY

OPTIMIZING REMUNERATION FOR INVESTMENT & OPEX

The methodology simulates a competitive market. The maximum prices that the company could charge in this competitive market would be those that cover investment costs and operating costs of an efficient business.

EFFICIENT MODEL COMPANY BEGINS OPERATING

→ INITIAL INVESTMENT + REPLACEMENT COSTS
Return on Assets = >7%

→ ANNUAL OPERATING COSTS

The Model Company is designed to efficiently provide required water and sewage services. It takes into account laws and regulations and certain operating restrictions, such as geography, demographics and existing technology.
(Art. 27 DS 453)

REVENUES REQUIRED BY THE MODEL COMPANY

GUARANTEEING REVENUE FOR SELF-FINANCING

Norms/regulations
Demand projections
Geography
Quality standards
Other parameters

Expected demand (Q*)

Design and Valuation of Infrastructure

- Water production
- Water distribution
- Sewage collection
- Sewage treatment/disposal
- Commercial and administration

Cost of Capital

Annual Return on Investment

Annual Operating Costs

TOTAL LONG-TERM COSTS (CTLP):
Annual revenues required by the Model Company

$$\text{Average Annual Tariff} = \frac{\text{Annual Return on Investment (\$)} + \text{Annual Operating Costs (\$)}}{\text{Demand } Q^*(m3)}$$

COST OF CAPITAL (REAL AND AFTER TAXES)

SETTLED BY RISK FREE RATE + RISK PREMIUM

COST OF CAPITAL = RISK FREE RATE + RISK PREMIUM

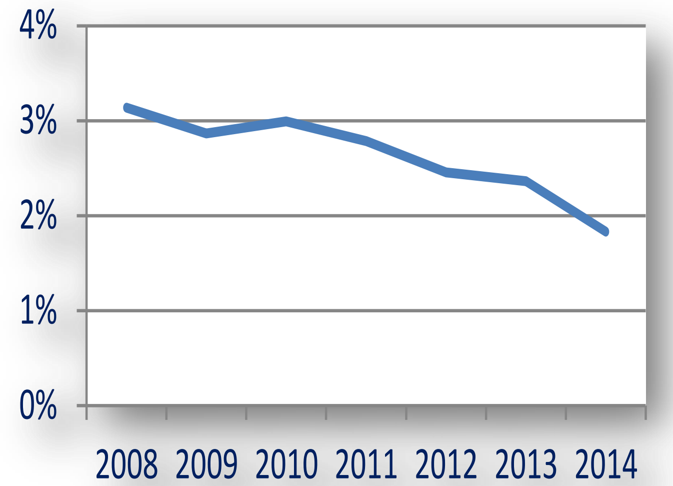
RISK FREE RATE (REAL TERMS)

- Average internal rate of return offered by the Central Bank of Chile on indexed domestic currency instruments of time equal to or greater than 8 years (BCU)

RISK PREMIUM

- 3.0 % < P < 3.5 %; based on company size and determined by SISS for each tariff review
- Size of the company (Equity, Assets, Annual Sales)
- Type of customer

SECONDARY MARKET INTEREST RATES, UF 10-YEAR CHILEAN BOND (REAL)



Minimum Rate of Return = 7%

AGUAS ANDINAS

FROM GENERAL PARAMETERS TO THE NEGOTIATION OF THE SIZE OF THE MODEL COMPANY

SISS DRAFT → Parameters and Methodology for Tariff Process are published

Can be appealed in court

Aguas Andinas provides information on the "real" company to the SISS

SISS study of model company

Company study of model company

Company presents discrepancies

- New information cannot be presented
- SISS has the exceptional authority to veto certain discrepancies, excluding these from Expert Committee

Negotiation

Agreement?

No

Yes

Decision of each discrepancy is YES or NO → Expert Committee

- It is composed of three members:
  - One chosen by the SISS
  - One chosen by the Company
  - One chosen by the SISS from a predetermined list ("middle candidate")

Decision of the Committee

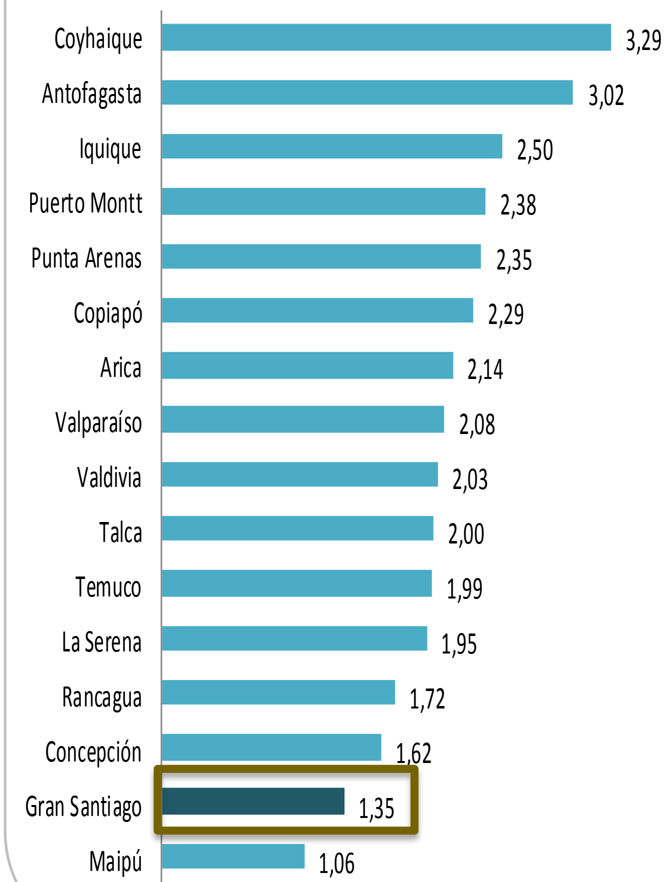
Tariff Decree

AGUAS ANDINAS

CHILE'S LARGEST WATER UTILITY COMPANY

- **100% COVERAGE OF DRINKING WATER AND WASTE WATER TREATMENT** for more than 7 million people (2 million clients, 43% of market share) of the Metropolitan Region and the Regions of Los Rios and Los Lagos
- 100% fulfillment of the **WATER QUALITY** regulation
- **SERVICE CONTINUITY** during the 5 years of drought
- **THE LOWEST TARIFFS IN CHILE,** with **HIGH STANDARDS OF SERVICE** and **EFFICIENT MANAGEMENT OF DROUGHT**

TARIFFS
(Drinking Water, sewerage, and Waste Water Treatment US$/m3)



Source: SISS Industry Report 2013. Tariffs to December 2013 considering US $1= $524

AGUAS ANDINAS

CONTROLED BY SUEZ ENVIRONNEMENT SINCE 2010

AA+ LOCAL CREDIT RISK CLASSIFICATION

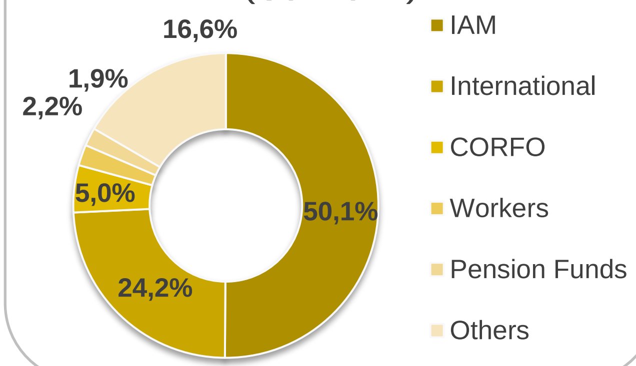
MORE THAN $1BN ISSUED IN BONDS IN THE LOCAL MARKET

MAIN HOLDERS:

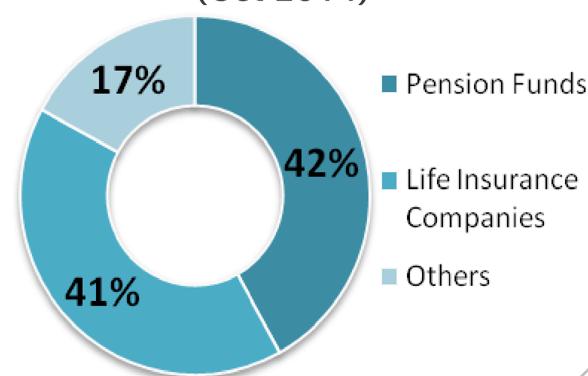
- → 42% Chilean Pension Funds
- → 41% Life Insurance Companies

Suez Environnement
↓ 100%
Agbar
↓ 56.6%
IAM
↓ 50.1%
Aguas Andinas

AGUAS ANDINAS STOCKHOLDERS (Oct 2014)



AGUAS ANDINAS BONDHOLDERS (Oct 2014)



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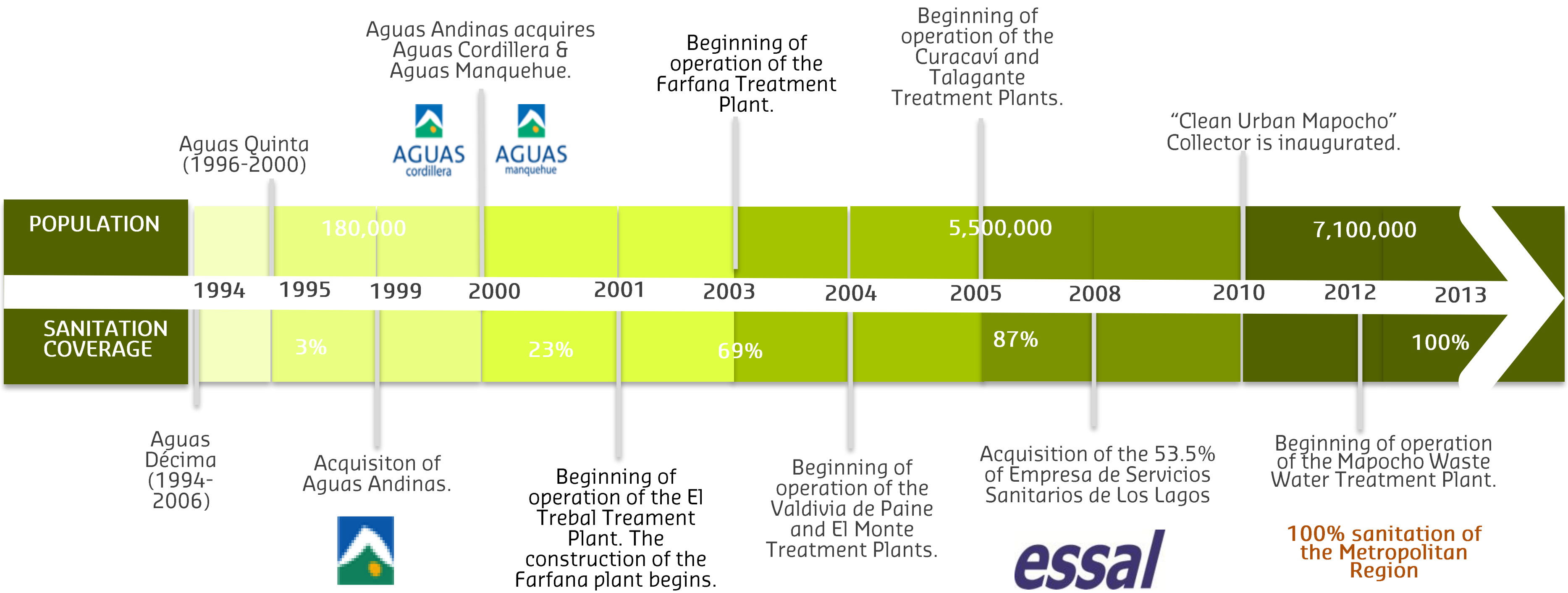
USD 2.4BN INVESTED SINCE 1999



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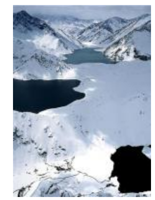
INTEGRATED MANAGEMENT OF THE WATER CYCLE

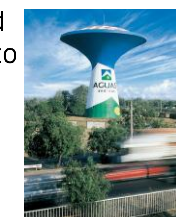
1. Raw Water Extraction and Drinking Water Production

- Extracted from both superficial and underground sources
- 100% coverage in drinking water



2. Drinking Water Storage and Distribution

- Water is transported to regulation tanks to ensure suitable pressure and continuous supply
- 15,160 km distribution network



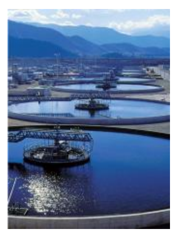
AGUAS andinas®

3. Sewerage

- Waste water is disposed through sewers to the sanitation plants
- Collection Network: 12,354 km
- 100% sewerage coverage

4. Waste Water Treatment and Restitution to the Environment

- Treated water is returned to its natural environment in optimum conditions
- Waste water treatment coverage: 100% (Achieved in 2012)

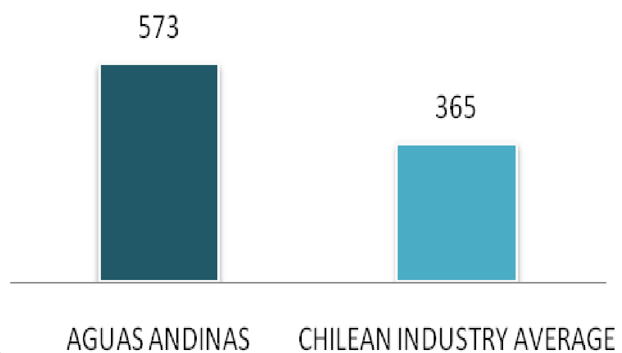


suez environnement

AGUAS ANDINAS

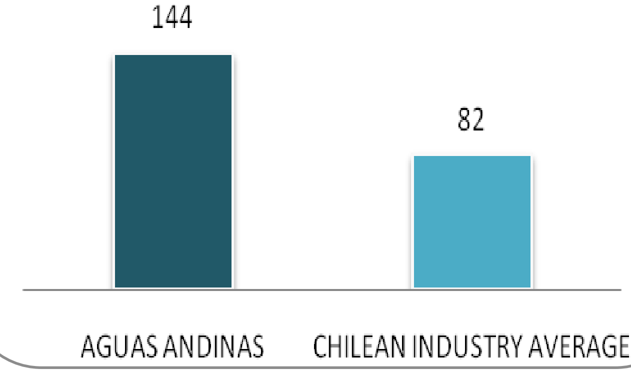
BEST IN CLASS STANDARDS IN PRODUCTIVITY & QUALITY OF SERVICE IN COMPARISON TO THE INDUSTRY

CLIENTS/EMPLOYEES

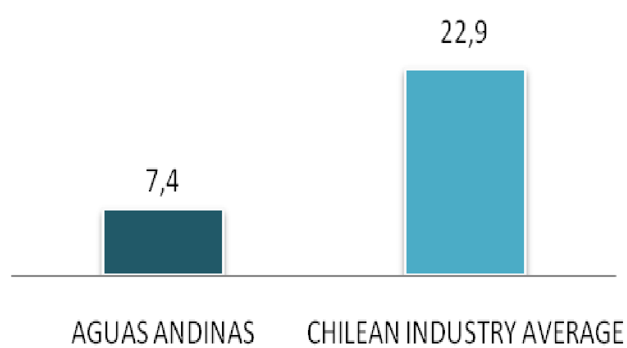


BILLING/EMPLOYEES

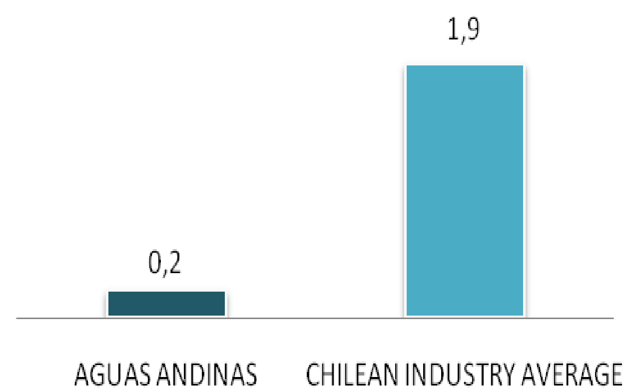
Th. M³



RUPTURES X 100 KMS.



RUPTURES X 1.000 CLIENTS



Source: SISS Industry Report 2013

AGUAS ANDINAS

CONTINUOUSLY IMPROVING OPERATIONAL

Company's world class positioning in Health and Safety standards
"10 Rules that Save Lives"

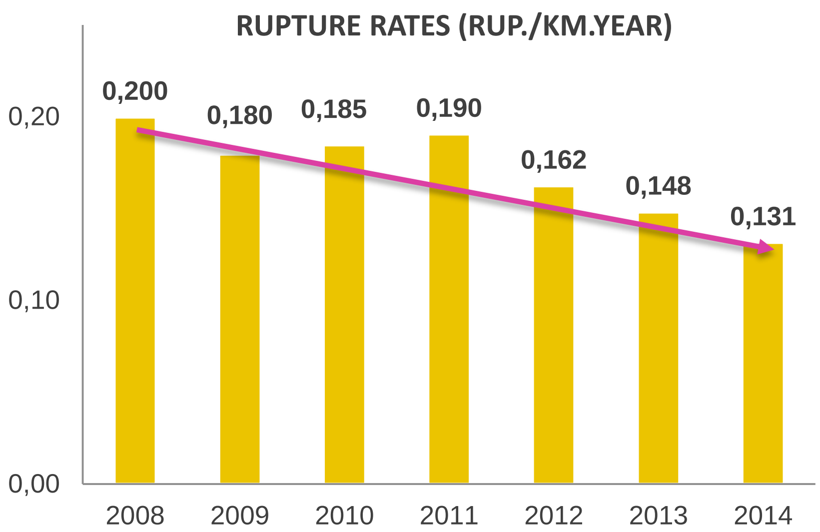
INCREASE IN AUTONOMY of the potable water distribution system for 9 hours for when there is an emergency that does not allow for the production of water

Implementation of arsenic abatement treatments

REDUCTION by **~35%** of the annual ruptures/km rates in 6 years

VALUATION OF RESIDUES IN WASTEWATER TREATMENT PLANTS:

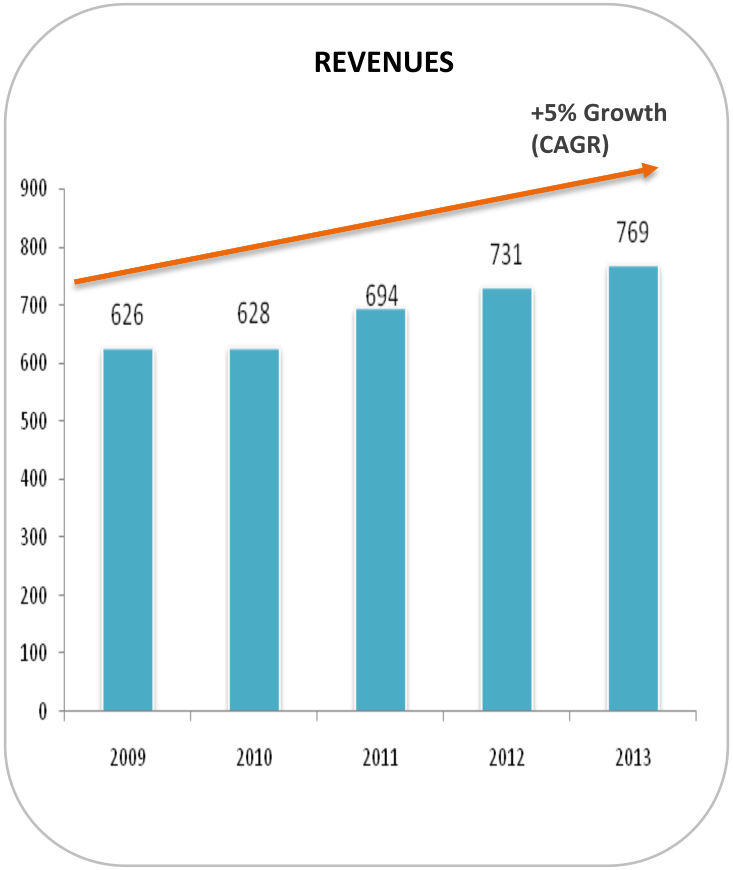
- Water suitable for all types of irrigation
- Bio-methane at the Farfana Plant
- Bio-solids
- Biodiesel (R&D)

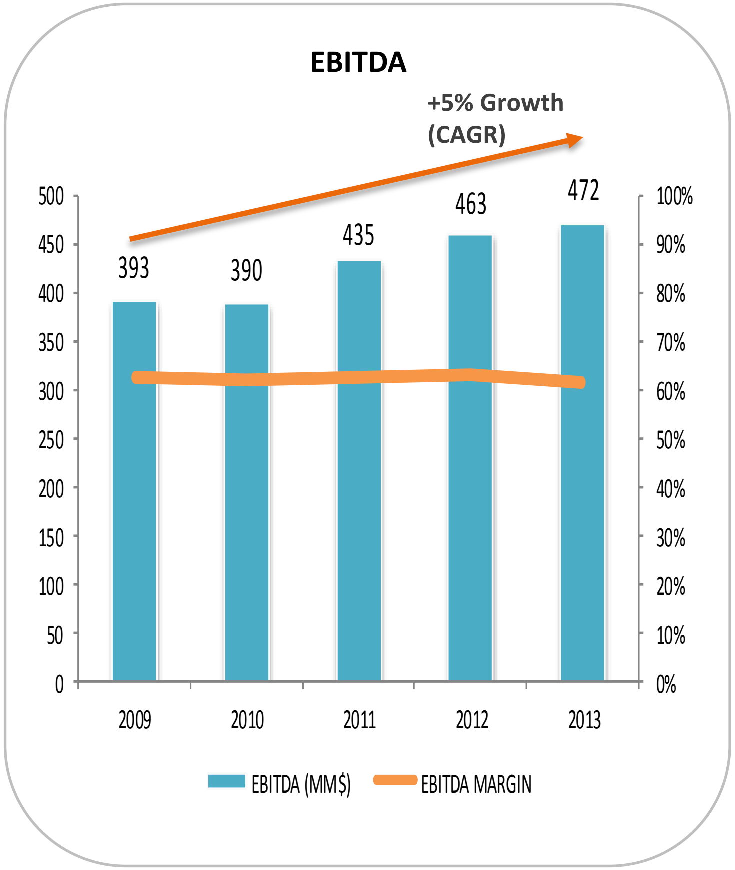


AGUAS ANDINAS

FINANCIAL PERFORMANCE(1): SUSTAINED GROWTH OF REVENUE AND EBITDA

In US$m





DIVIDEND POLICY: 100% OF NET RESULT

(1) Source: Aguas Andinas; Reported numbers at 100%, in local GAAP.

*Exchange rate: 524 CLP/USD as of December 31 2013.

AGUAS ANDINAS

RESOLUTION FROM 6TH TARIFF PROCESS (2015-2020)

On November 14th, Aguas Andinas and its subsidiaries Aguas Cordillera and Aguas Manquehue, came to an agreement with the Superintendence of Sanitary Services (the "SISS") within the framework of the sixth tariff-setting process for the period 2015-2020.

- Aguas Andinas and Aguas Cordillera's tariffs, which compose **97%** of the income being negotiated during the process (344 billion CLP, ~573 million USD), will be **maintained at current levels** for the new period. These tariffs will apply from March and July 2015 respectively.
- Aguas Manquehue, which represents **3%** of the income negotiated (9 billion CLP, ~15 million USD), will reduce its tariffs by 5% from May 2015. This reduction was linked to the high volume increases recorded during the previous 5 years (above 30% increase).
- The polynomials that have been used for the previous 5 year process will remain the same.

AGUAS ANDINAS

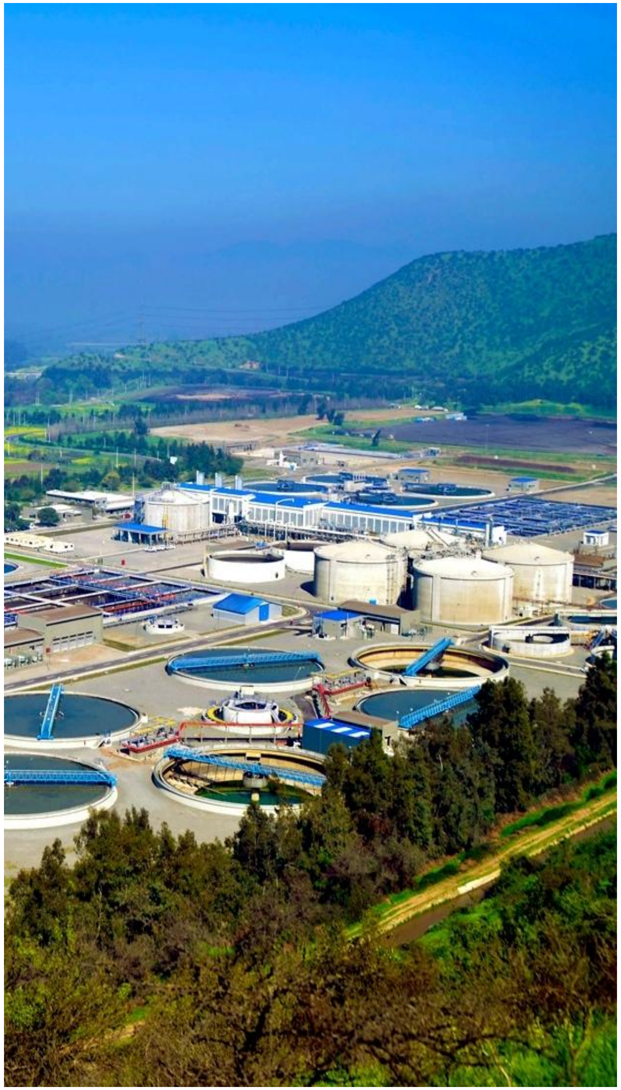
RESOLUTION FROM 6TH TARIFF PROCESS (2015-2020)

ADDITIONAL TARIFF INCREASES WHEN NEW INVESTMENTS COME INTO OPERATION:

- → Turbidity safety works: +1.1% in 2018
- → Quality improvement works WWTP Farfana + Trebal: +1.4% in 2018

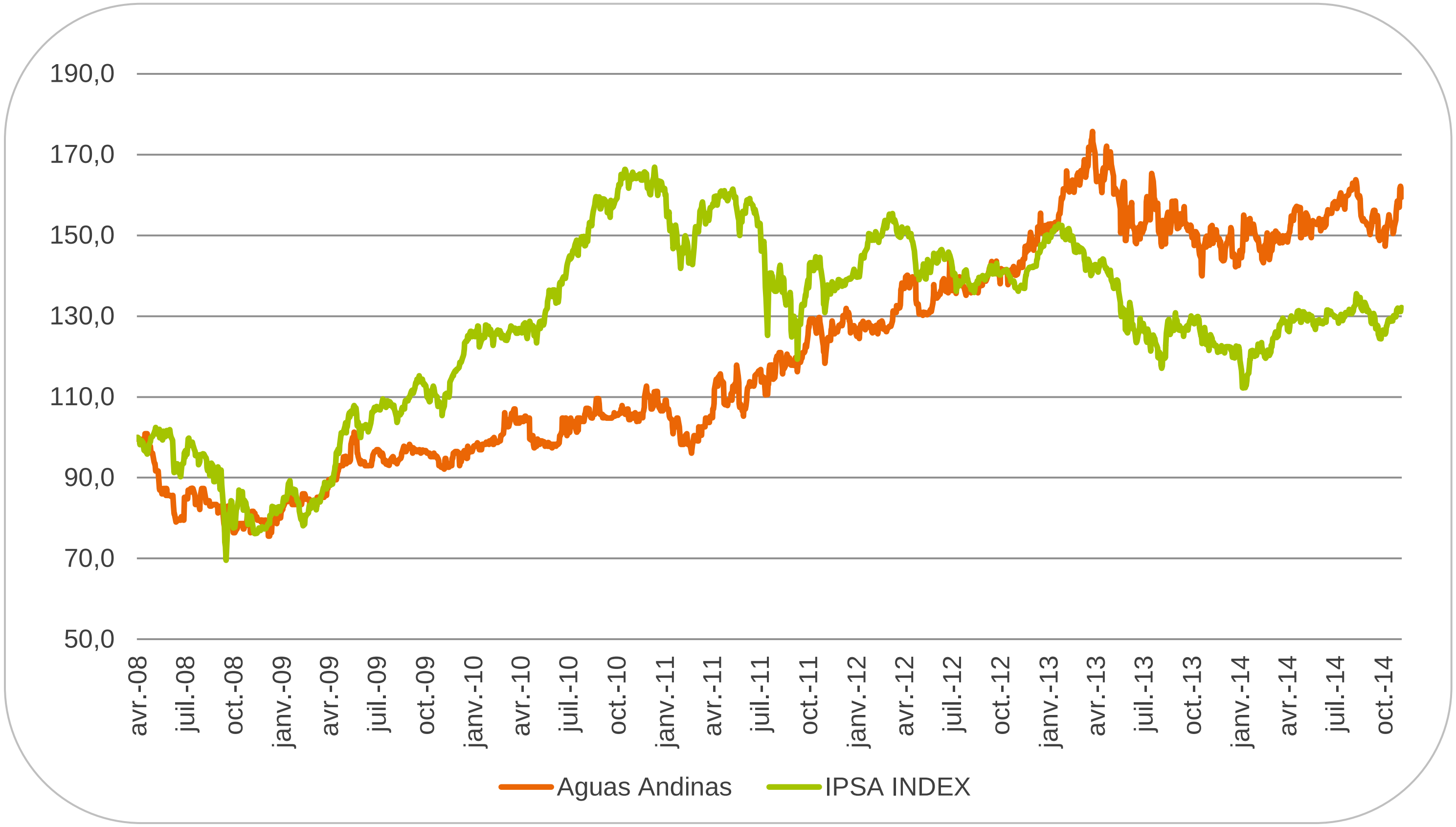
TARIFF DISCOUNT DUE TO NON-REGULATED BUSINESS:

- → Alto Maipo Project: -1.2% in 2018 (estimated)



SHARE PRICE PERFORMANCE[1]

STRONG OUTPERFORMANCE VS. IPSA



2015 VALUATION MULTIPLES[2]: 10.6x EV/EBITDA, PER 17.0x AND PRICE-TO-BOOK 3.45x

(1) Since the IPO of American Water Works in 2008 and as of 1st of December 2014
(2) Source: Bloomberg as of 1st of December 2014

APPENDICES

MAKING THE PLANET SUSTAINABLE IS THE BEST JOB ON EARTH

AGUAS ANDINAS

List of 'middle candidate' for Expert Committee is determined

Final parameters and methodology published

- 30 OCT 2013 — Publication of parameters and methodology
- 30 DEC2013 — Observations on preliminary parameters made
- 13 FEB 2014 — SISS rules on observations on preliminary parameters
- 26 FEB 2014 — Administrative appeal over the SISS decision on the
- 12 MAR 2014 — Final Parameters
- 21 MAR 2014 / 13 MAY 2014 — 2009-13 info provided for tariff study
- 01 OCT 2014 — Tariff studies exchanged between company and SISS
- 31 OCT 2014 — Company presents discrepancies / observations
- 17 NOV 2014 — Expert committee called by SISS
- 07 JAN 2015 — SISS requests minutes from expert committee to make final
- 30 JAN 2015 — SISS establishes new tariffs
- 28 FEB 2015 — New Tariff Settlement

30 days | 16 days | 46 days | 30 days

AGUAS ANDINAS

Positive market's reception of the 6th tariff process

Banchile INVERSIONES Valor para crear un futuro mejor

Aguas Andinas: Tariffs to remain stable, as expected. Reiterating Our Buy Recomendation

Today, via a regulatory filing, Aguas Andinas announced that it had reached an agreement with the water services regulator, the Superintendencia de Servicios Sanitarios (SISS) with regards to the definition of the new tariffs for the five-year rate cycle 2015-20. According to the statement, Aguas Aguas and Aguas Cordillera's rates will remain unchanged, while the tariffs for Aguas Manquehue will be adjusted downwards by 5%. With regards to the latter, the reason for the downward adjustment is a function of a higher level of demand than expected during the previous period, which has the effect of adjusting rates downwards in the forthcoming period. However, we emphasize that Aguas Cordillera represents only 7% of the total consumer base of Aguas Andinas, so the impact on the consolidated tariffs should be marginal.

Itaú BBA

Sixth Tariff Review Ends With Good News

Aguas Andinas' tariffs to be reduced by 0.1% effective in March 2015. Aguas Andinas announced the outcome of the sixth tariff cycle review (2015-20) carried out by the regulator (SISS) on three of the company's concessions in the city of Santiago and the surrounding areas. For Aguas Andinas' two largest concessions (which represent ~87% of its regulated EBIT), the regulated tariffs will remain unchanged in real terms for the next five years. For Aguas Manquehue (~2% of the regulated EBIT), however, the regulator reduced tariffs by 5% effective in March 2015. The consolidated negative impact on tariffs is therefore expected to be 0.1% – better than the 2% reduction forecasted in our model.

We see the announcement as positive because it will allow Aguas Andinas to continue to deliver an ROE of 20%-21%, even with the increase in corporate taxes. Based on our conversation with management, tariffs will be upwardly adjusted in January 2015 to reflect the increase in corporate taxes (from 20% in 2013 to 22.5% in 2015) in order to maintain its regulated return on assets (greenfield operations) after taxes at 7%.

BTGPactual

Upping TP of Aguas Andinas and IAM

Tariff review process ended with no changes to tariffs

Aguas Andinas announced the end of its tariff review process, and new terms should take effect in March 2015. In short, the regulator (SISS) and AA have agreed to keep tariffs unchanged (var. 0%), though the market was expecting a 1.5% drop. We are thus revising our forecasts for Aguas Andinas and its controlling company IAM and setting new target prices for end-2015 of CLP405/sh and CLP1,056/sh, indicating a total return of 17.2% and 18.2%, respectively. An expected increase in sales volumes (potable and wastewater treatment) and higher average tariffs (from indexations and the incorporation of new assets) should lead to EPS growth in coming years.

Santander

AGUAS ANDINAS — HOLD

THIS TIME THE WATER REMAINS STILL

CURRENT PRICE: CH$360.54
TARGET PRICE: CH$382.00

UPGRADING RATING TO HOLD FROM UNDERPERFORM
INTRODUCING YE2015 TARGET PRICE OF CH$382.00; REPLACING YE2014 TARGET PRICE OF CH$350.00

Net/Net: We believe the regulatory pressure should be significantly reduced following the regulator's publication today of the results of the 2015-2020 tariff revision cycle, which came in slightly better than our expectations. Also, we like Aguas's high dividend yield and low beta in a scenario of economic deceleration and political uncertainty. However we believe the company's valuation and low expected growth limit the potential upside of the stock.

AGUAS ANDINAS

Positive analysts' recommendations after the conclusion of the tariff process

INSTITUTION	OBJECTIVE PRICE	DATE OF LAST REPORT	RECOMMENDATION
BTG Pactual	$ 405 (2014 E)	01-dec-14	Buy
Credicorp/IM Trust	$ 400 (2014 E)	01-dec-14	Buy
Banchile	$ 392 (2014 E)	28-nov-14	Buy
Corpresearch	$ 390 (2014 E)	19-dec-13	Buy
Itaú	$ 390 (2014E)	28-nov-14	Outperform
BCI	$ 385 (2014 E)	06-jan-14	Outperform
Bice	$ 400 (2014 E)	12-feb-14	Hold
Santander	$ 382 (2014 E)	20-nov-14	Hold
Scotiabank	$ 375 (2014E)	01-dec-14	Sector Perform

AGUAS ANDINAS

ON-GOING INVESTMENT PROJECTS

SAFETY INFRASTRUCTURE PROJECTS TO INCREASE RESERVES OF POTABLE WATER TO PREVENT SERVICE DISRUPTIONS THEN OUR NETWORK HAS BEEN DEVELOPED.

A two-phase plan that will streng

Safety Infrastructure Projects – Phase I (completed):

- → 7 new wells (500 liters per second)
- → 6 storage tanks for drinking water with a capacity of 225,000 m3
- → Duct (4 m3/s) connecting the El Yeso Reservoir with Las Vizcachas water production plant
- → Tariff increase of 1.2% applied beginning 1 March 2014

Safety Infrastructure Projects - Phase II:

- → Construction of a raw water storage tank with a capacity of 1,500,000 m^3
- → Network autonomy will be raised up to 32 hours
- → Investment of approximately US$80 million
- → Tariff increase of 1.1% to be applied when the project is completed (2018)

AGUAS ANDINAS

ON-GOING INVESTMENT PROJECTS

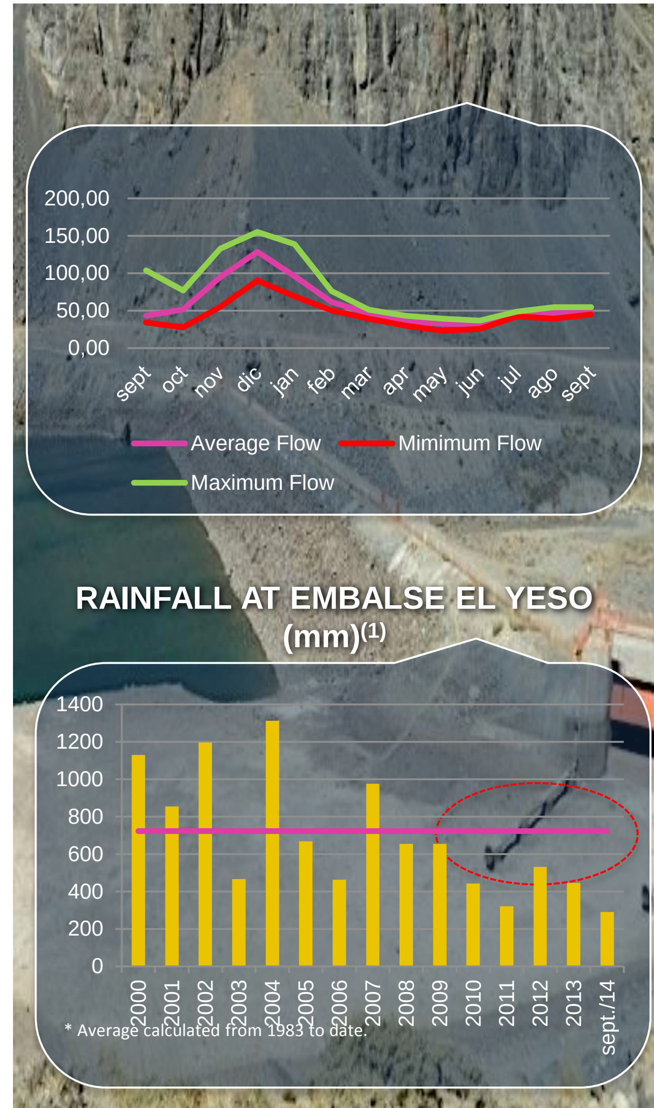
DROUGHT PLAN 2011-2015 TO PREVENT WATER SHORTAGES

New investments to increase capacity and agreements with primary users for the joint management of the Maipo river

Measures taken by the company to mitigate the impacts of the drought during the last four years have ensured water supply for 2014-2015, even in the event that both 2014 and 2015 are dry years

MAIN INITIATIVES:

- → New capacity in wells
- → Purchase of raw water
- → Renting of water rights
- → Agreements with other users of the river
- → Monitoring and control of illegal water usage/extraction



AGUAS ANDINAS

ON-GOING INVESTMENT PROJECTS

MAPOCHO PLANT EXPANSION 2017, INCREASING CAPACITY WILL ENSURE THE CONTINUITY OF WASTEWATER TREATMENT

Project to be completed in 2017

Will increase the treatment capacity of the Trebal-Mapocho complex from 6.6 m^3 to 8.8 m^3

Main benefits:

- Respond to increasing demand
- Strengthens the security of operations in the basins of Gran Santiago
- Prevents the need to send untreated water back to the river

AGUAS ANDINAS

ON-GOING INVESTMENT PROJECTS

A NEW WORLD CLASS SYSTEM IS AT THE CORE OF OUR STRATEGIC CUSTOMER SERVICE PLAN

- Implementation of AquaCIS, new billing tool that will allow us to further strengthen our commitment to serving clients
- Integrates commercial operations processes, such as customer service, contracting services, readings, billing and collection, etc
- Work-flow management and business processes are integrated into a single technology platform